

● PSF: Subject File: OSS. Report on the Azores Islands

Box 167.

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N. N. I. 88 A

ROUTING SLIP

NAVAL INTELLIGENCE
OFFICE OF CHIEF OF NAVAL OPERATIONS
NAVY DEPARTMENT

Subject _____

Reference _____

Date _____ File No. _____

FROM DIRECTOR OF NAVAL INTELLIGENCE	Room No.	To
Secretary of the Navy	2046	<input checked="" type="checkbox"/>
Assistant Secretary of the Navy	2034	
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Chief, Naval Operations	2054	
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CHECK ACTION REQUIRED

Information and return to _____ Room _____
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Information on which to base reply _____

REMARKS:

— R. C. Hayes
Brief made, as desired by
Sec'y, as per your note.
Nothing new topographically,
& generally sketchy. We have
a recent complete monograph
on Azores.

COORDINATOR OF INFORMATION

INTEROFFICE MEMO

FROM: Lieut. Colonel George C. McDonald DATE December 15, 1941
TO: Colonel William J. Donovan
SUBJECT: Azores Air Patrol and Inter-island Service.

The attached study by Mr. Oliver J. Lissitzyn, dated December 10, on the subject of a proposed Azores air patrol and inter-island service, has been read with considerable interest by both Captain Weir of the Marine Corps Aviation and Lieutenant Colonel McDonald of the Army Air Forces. It is our opinion that:

- (a) If such a plan had been attempted and put into effect about one year ago, it would today be valuable for observation and intelligence purposes. However, with this country now being in a state of war with Germany and Italy it is not believed practicable that such a scheme be placed in operation.
- (b) Another disadvantage at the present is conflict with United States War Department, Navy Department and British war emergency plans of operation in this area.

In view of the above it is recommended that favorable action not be taken on the subject study.

George C. McDonald

George C. McDonald
Lieut. Colonel, Air Corps, U.S.A.

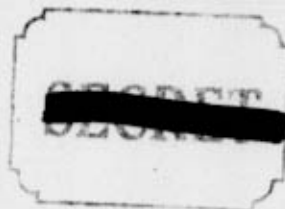
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COORDINATOR OF INFORMATION

INTEROFFICE MEMO



FROM: *[Signature]* Oliver J. Lissitzyn

DATE December 10, 1941

TO: Colonel Donovan

SUBJECT: Azores Air Patrol

The question falls into two parts: (1) The narrower problem of an inter-island service in the Azores; (2) the broader problem of a service connecting various groups of islands and points on the mainland of Africa and Europe.

I. The advantages of having an inter-island air service in the Azores as proposed would be considerable.

1. At present, only Pan-American Airways provides a means of aerial observation in and near the islands, but it has frequently omitted stops at the Azores, especially in winter, owing to heavy seas at Horta. An inter-island service would facilitate

(a) reconnaissance for submarines and surface vessels at and off the Azores;

(b) aerial photography of possible enemy installations, and other objects.

The value of the service as a means of observation would depend on three factors:

(a) The routes flown. The service should be extended as early as possible to outlying islands, from Corvo in the Northwest to Santa Maria and Formigas in the Southeast.

(b) Frequency of schedules.

(c) Opportunities for observation and photography unimpeded by official regulations, the Portuguese flying personnel, etc.

2. An inter-island service would provide a means of rapid communication between the islands. Daily contacts could be maintained by the proposed service between the islands, and communications between United States agents would be facilitated. It might assist in smuggling communications and materials.

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3. American technicians would form a nucleus of a "Fifth Column" for purposes of observation and counteracting enemy activity, and for any necessary action in an emergency. With proper preparation and instructions as to behavior they should also be able to establish friendly contacts with the local inhabitants and make the United States more popular.

4. It would provide an advance organization for use by American forces, with some technical personnel familiar with local conditions.

5. It would further the construction of land and sea landing bases, on all the islands served, for possible use by American forces.

For all of the above purposes, it would be desirable to have as many islands served as possible.

The possible drawbacks of the proposed services would be as follows:

(a) Use of the organization by enemy agents, either through infiltration into its personnel (including the management) or as passengers. It is important to have some means of surveillance and control over the personnel (including the management). The use of the service by enemy agents for inter-island communication probably could not be entirely prevented.

(b) Use of the landing facilities, ground equipment and fuel stores by the enemy in case of enemy attack or occupation. Landing areas would have to be guarded constantly and effectively against sudden enemy landings; and thorough-going plans for destruction of the fuel stores and as much ground equipment as possible should be worked out and made ready for execution on short notice, even, if necessary, without the cooperation, or in the face of opposition, of the Portuguese authorities and personnel.

(c) If American influence and employment of the service should be too obvious, it may provide additional fuel for anti-American propaganda on the islands and in Portugal. The provision of a postal subsidy by the Portuguese government should tend to give the service a more "national" Portuguese character.

Weighing all of the foregoing considerations, and subject to the taking of all possible precautions as to security, it is believed that it is advisable to establish the service at the earliest possible moment, extending it to as many islands as possible. The cost of the project would appear to be relatively insignificant.

II. Establishment of an air service to Madeira, Cape Verde Islands, Portuguese Guinea, Canary Islands, Bathurst and Lisbon, under the aegis of an Azores company as proposed, would have considerable advantages.

1. Such a service would provide a means of reconnaissance over the area Lisbon-Azores-Cape Verde Islands-Bathurst-Bolama, through which important shipping lanes pass.

2. It would provide a means of observation and a nucleus of organization at each of the island groups served, with advantages similar to those outlined above, with reference to the Azores. The following particulars may be noted.

(a) Madeira at present is not served by any air line. Development of landing facilities, radio communications and a nucleus of American technicians would facilitate eventual conversion of these islands into a base of operations, if necessary.

(b) Cape Verde Islands are served by the Italian line LATI, which has a landing field and a base at Sal Island. The extension of the proposed company's services to these islands (with possible development of an inter-island service similar to that proposed for the Azores) would, therefore, be of special importance from the point of view of observation and counteracting Axis activity.

(c) In Portuguese Guinea, where Pan American Airways already has a nucleus of organization at Bolama, the proposed service would provide an additional means of reconnaissance and communication.

(d) The Spanish-owned Canary Islands have been connected, according to the latest available information, with the Spanish colony Rio de Oro and with Spain by services operated by the Spanish company "Iberia" which also maintains

and Tenerife (Los Rodeos Airport). The Iberia Company is controlled by the Spanish government, but German Lufthansa and Italian Ala Littoria each hold, according to reliable reports, 12.25% of the stock, and there is close technical collaboration between the three companies. The value of having the proposed Azores company operate to the Canaries is thus evident, especially from the point of view of observation. It is by no means certain, however, that the required permission of the Spanish authorities would be obtained. In the recent past, the Franco government has been reluctant, as a general rule, to admit foreign air lines to Spanish territory, and this attitude would probably be even stronger in case of the Canaries. It is known, however, that the Portuguese government has been dissatisfied with this attitude. Iberia operates a service between Madrid and Lisbon on one-year authorization from the Portuguese government, subject to cancellation, and the Portuguese government, if desirous to have a Portuguese-flag service to the Canaries, would possibly be in a position to exercise some pressure here.

3. The whole new system, as proposed, if linked with Bathurst and Lisbon, would provide additional means of communication with United States agents at all the points to be served.

4. The service would provide additional means of communication in friendly hands between West Africa (Bathurst) and Europe (Lisbon).

5. The broader implications of the proposed services are of farreaching importance. It is known that Portugal desires to establish an "imperial air route" connecting the mother land with its African colonies; and a Portuguese-Brazilian service is also being advocated. It is also known that the Germans are attempting to take advantage of these Portuguese desires in order to acquire influence in Portuguese air transport. One of the Portuguese projects involves an overland route from Tangiers to Douala (French Cameroons) and further South to Angola. The companies being considered for this route are variously reported as Aero Portuguesa Ltda., which already operates the Lisbon-Tangiers line and which has been closely linked to Air France; and Companhia Colonial de Navegação, a shipping company.

Establishment of a system of air lines by an Azores Company off the west coast of Africa might result in the

be the first step to the development of a Portugal-Brazil service. The control of these services by a company such as the one proposed, with headquarters in the Azores (and thus relatively safe in case of an Axis occupation of Portugal) and under American influence, would be clearly of great advantage to the United States. If, at any future time, the Portuguese government should decide to place all Portuguese air transport under the control of a single national company, the Azores company, as an already functioning enterprise, might be in a good position to participate in the organization of such a national company.

In case of occupation of Portugal by the Axis, the only remaining means of air communication between Great Britain and Africa would be by a service from Foynes via the Azores or Madeira.

West Africa has become the object of air transport activities of a large number of powers.

(a) The British are operating Lisbon-Bathurst-Lagos service with Boeing 314's purchased in the United States. This service is the only direct means of rapid communication (aside from radio and cable) between Great Britain and West Africa. A service is likewise operated from Lagos to Khartoum. American planes are ferried over West Africa to Khartoum and the Middle East.

The importance of West Africa in the scheme of British Imperial air communications is tremendous. Before the outbreak of the war in 1939, an "Imperial Reserve Air Route" had already been surveyed. This route, as planned, passed through Lisbon, Madeira, Bathurst and Lagos in West Africa, and extended through Central Africa to the Indian Ocean and Australia. The present British Lisbon-Bathurst-Lagos-Khartoum services thus represent a partial execution of the Reserve Route Scheme.

(b) Air lines controlled by the French (Vichy) government have been re-established in French West Africa, and have been developed into a thick network. Air France has projects for re-establishment of its line to South America, although so far these projects have been foiled by the refusal of Brazil to grant the requisite operating rights. Liberia has

(operated by the company Chargeurs Reunis) to resume landings at Monrovia, but the Aeromaritime service, running along the coast of Guinea from Dakar to Cotonou, is reported to have been otherwise reestablished. All of these French activities are developing with the permission of the German Armistice Commission. The South American branches of Air France are on the United States black list as having Axis connections.

(c) A Free French air line has been established between Brazzaville and Syria.

(d) The Italian LATI line is operating a service to Brazil via Seville (or Lisbon), Villa Cisneros (Spanish Rio de Oro) and Sal Island. It serves as an important means of Axis communication with South America.

(e) German Lufthansa operated prior to September, 1939, a line to Brazil via Bathurst. Early in 1939 it approached the Portuguese government for permission to land at Portuguese colonies on a projected service to Angola or South Africa. Germany is at present interested in acquiring influence in Portuguese "imperial" air services.

(f) The Spanish Iberia, in addition to running a line from Madrid to Rio de Oro and the Canaries, operates a service between Fernando Poo and Rio Muni (Spanish Guinea). Spain is reported to desire to establish an air service from these Spanish colonies to the Canaries, thus completing a Madrid-Guinea trunk line. It has attempted to purchase American planes for this service. Spain is also interested in a Spanish line to South America. Iberia, as already stated, is connected with the German and Italian companies.

The interest of the various powers in West African air transport is in part explained by the strategic location of West Africa in regard to communications. It lies on the following routes:

- (a) Europe-South America.
- (b) Europe-South Africa.
- (c) Europe-North America, (via Trinidad or Brazil)
- (d) Great Britain-Middle East-Australia (the Reserve Route)
- (e) United States-Middle East.

West Africa flanks important North-South Atlantic ship lanes, on which Axis raiders have been active. The work of these raiders would be facilitated by Axis bases in West Africa or the adjoining islands.

Strategically, West Africa is of the greatest importance to the United States. Any attack from Europe against South America would, of course, be greatly facilitated by enemy control of West Africa; and would, conversely, be made difficult, if not impossible, by American control of West African defenses.

West Africa, moreover, lies on the route of direct communication with British and Russian forces in the Middle East.

Acquisition by the United States of bridgeheads in West Africa might be considered as a threat by the Axis powers. It would facilitate eventual military action against North Africa and Spain, and would cut off Axis communications with South America.

From the economic point of view the immediate importance of West Africa to the Axis or to the United States is apparently not very great. For the Axis, vegetable oils, manganese ore and fruit, would present some interest. The United States would probably be most interested in manganese. (It is understood that a special study of the economic importance of West Africa is being made by the research staff.)

The long-range economic importance of West Africa to an Axis Europe may be considerably greater. Of all the large tropical areas, West Africa lies nearest to Western Europe. The French have always shown much interest in its economic development, and are understood to be pushing the construction of the Trans-Sahara railroad. The products that could conceivably be obtained in large quantities from West Africa with proper development would include rubber, cotton, sugar, coffee and cocoa, vegetable fats, rice and some livestock, as well as manganese. West Africa may also be a source of labor.

It is evident that Germany is likely to use great efforts to acquire West Africa, and to prevent the French and Portuguese possessions from falling into American or British

hands. German interest in Portuguese colonial air transport undoubtedly stems in part from these motives. The granting by the Portuguese government of operating rights to LATI in Sal Island, and to Japan in Timor, indicates the susceptibility of Portugal to Axis pressure in this matter.

In order to forestall the Germans, it would be desirable for the United States to exercise influence in Portuguese air transport.

The possible disadvantages of American participation in Portuguese colonial air transport are similar to those already outlined in regard to the Azores. It may be added that the Portuguese government would inevitably tend to exercise a large degree of government control over any important Portuguese air transport system. It may even decide some day to take over completely the organization of the system. Therefore, the danger of the potential use of the organization by the enemy can never be completely eliminated.

It is believed that, in the balance, it would be advantageous to the United States to participate in the organization of the proposed services, under the aegis of an Azores company; and that action should be taken to that effect as soon as possible, in order to forestall German penetration.

The method of financing the Portuguese company through the Reconstruction Finance Corporation and Pan American Airways, as proposed, appears to be unobjectionable. Care should be taken, however, to prevent, if possible, public disclosure of the financing through any hearings in the Civil Aeronautics Board or in Congress.

prof.

THE SECRETARY OF THE NAVY
WASHINGTON

file

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SECRET ✓

January 1, 1942.

MEMORANDUM FOR THE PRESIDENT.

The attached report on the Azores Islands (November, 1941) has been read and is herewith returned for your files in compliance with your memorandum of December 17.

Franklin D. Roosevelt

Attachment

DECLASSIFIED

REPORT

ON

THE AZORES ISLANDS

C O N T E N T S

- I. THE AZORES (GENERAL)
- II. HORTA
- III. W/T COMMUNICATIONS
- IV. AZORES AIR PATROL
- V. AIR INTELLIGENCE
- VI. STATEMENT BY MR. J. B. BENS AUDE

Note on Sources:

I and II are based on observations made during a recent visit by a British Naval Staff Officer. III, IV and V are based on reliable information in the possession of the Directorate of Security Co-Ordination, New York. VI has been prompted by a visit paid earlier in the year to the islands by the Portuguese ship-owner, Mr. J. B. Bensaude.

REPORT ON AZORES

1. TOPOGRAPHY

Nine volcanic islands, rising abruptly from the sea floor more than 2½ miles below, soaring steeply as they leave the waves (to 7,613 feet on Pico Island); beaches carpeted with small stones, hills coated with grass, vegetation European, the few tall trees imported in the 19th century; farthest from land of all Atlantic Islands (850 miles from easternmost San Miguel to Cape de Roca in Portugal); spangled over the sea for a length of 400 miles, split into three groups -- to the north-east, Flores and Corvo; in the center, Fayal, Pico, San Jorge, Terceira, Santa Cruz de Graciosa (most famous for its scenery); to the southwest, San Miguel (largest 116,286 population) and Santa Maria; area of all the islands, 922 square miles, population 232,012 islanders of Portuguese origin with admixture of Moorish and Flemish blood; temperate climate, ranging from 48 Fahrenheit in January to 82 in July (record low 45, record high 86), permitting abundant production of oranges, apricots, bananas, lemons, pineapples, pomegranates and grapes for the strong local wine; no dangerous animals but man.

2. GENERAL SYMPATHIES

On the whole, the islands are pro-British and anti-German, but Germans have important interests in SAN MIGUEL and FAYAL and in particular they have been the principal market for SAN MIGUEL pineapples.

The Azores population have very great national feeling for their own islands.

A large number of Azoreans work for years in America, and earn enough to build a home to retire to in their own island. There are at least three large Azorean colonies in U. S. A. For these reasons there is some link between the Azores people and America.

3. ENEMY ACTIVITIES

- a) The Portuguese have prevented enemy infiltration into any islands, by forbidding access to all foreigners. This has prevented German "tourists" etc. and the German colonies are very small and are closely but inefficiently supervised by the Portuguese.
- b) Except for occasional special visits to the islands for some particular purpose, such as to obtain water or to drop or pick up men, etc., German S/M's and raiders have not used the Portuguese islands at all.

Most of the reports of enemy S/M's in the Azores refer to a British S/M patrol which was maintained for several months.

4. PORTUGUESE INTENTIONS

- a) Portugal remains very loyal to Britain, but they are really frightened of Germany. SALAZAR is loyal to us but conceals his plans from most of his Government with considerable distrust, and is very reticent (peasant's characteristic).
- b) He has honest belief and idealism for NEUTRALITY, and although he inclines towards our side, he has real belief in his obligations as a neutral, and Britain has always encouraged this attitude.
- c) Britain has told him that we cannot yet give him great assistance on the mainland, and that we do not wish Portugal to immolate herself in futile resistance; should Spain resist Germany, we would expect Portugal to assist completely, but not by herself; a "token

resistance" for an hour or two would be sufficient.

- d) Britain however has made clear the fact that we can - and will - protect the islands and the Empire. We have discussed their defence with Salazar and are encouraging him to reinforce the islands as strongly as he can.
- e) Speeches by Senator Pepper and later by the President of the U. S. A. terrified the Portuguese and made them very resentful: they may accept help, but their infuriating type of "National Pride" makes them resent interference.

5. DEFENCE OF ISLANDS

- a) As foreigners are now forbidden access to the islands (except existing residents and officials, and new officials who have genuine cause for their visit) it has not been possible for me to visit all the islands myself, as wished by the British Chiefs of Staff. Our information on the whole is good, however.
- b) Salazar has sent his principal military confidant on a tour of Madeira and the Azores, and a second confidant to the Cape Verdes. These officers are to inspect the defences, and to organise improvements; before departing for the islands, they were instructed by Salazar to cooperate fully with me, and we discussed all points together in April and May 1941.
- c) At Salazar's request, the British War Office sent out two defence experts to Lisbon in May 1941 and they and I discussed the problems with the Portuguese staff expert; for this purpose we were provided with the Portuguese staff papers and maps, with police reports, schemes of defence, and all other papers.
- d) The British representatives then made concrete suggestions for improving the defences and most of these are now being acted upon. The Portuguese Government now keep us fully informed about troop movements and defence schemes.
- e) It is the considered opinion of all British authorities concerned that however the Portuguese may reinforce their islands, they will be unable to offer adequate resistance to a determined attack by Germany, Britain, or U. S. A., the reasons leading to this being -
 - i - Lack of guns and defence materials and weapons.
 - ii - Doubtful discipline and effectiveness of the troops, particularly the local recruits.
 - iii - Still greater doubt on their officers' leadership, and in some cases of their loyalty.
 - iv - General inefficiency which is characteristic of the Portuguese.
 - v - Slowness of thought and of decision makes them very vulnerable to surprise attack.
- f) The nature of the islands and beaches is such that although the Portuguese may be unable to hold them, a better-protected and determined German or British force would be extremely difficult to remove.
- g) It is hoped that by reinforcing the islands -
 - i - The Portuguese may gain greater determination to defend them against the Germans, even though Portugal is occupied.

- ii - That it will become necessary for Germany to use a strong force if she wishes to capture the Azores, and that it will be impossible for her to gain possession by a Trojan Horse attack.
- iii - That they may put up enough resistance to delay a German attack, during the 60 hours that may elapse before a British force can arrive, or at least during the few hours before some British air and naval help can come.

6. ISLANDS' ATTITUDE TOWARDS AN OCCUPYING FORCE

- i - Probably the islands mean to put up genuine resistance to a German attack.
- ii - They would be most reluctant to resist either Britain or the U. S. A. and it is doubtful if they would really try.
- iii - They would deeply resent seizure, even by British or Americans.
- iv - If the Governor of any island was asked to surrender his island he would insist on consulting Lisbon; if this was prevented, he would probably order resistance.
- v - Any approach would have to be made to Salazar and would quite probably be acceded to with fairly good grace under "force majeure".
- vi - The importance of Radio propaganda in Portuguese at such a time, and for the day or two before, cannot be stressed too high, culminating to a direct request to the Islanders to hold to "Portugal's oldest ally, the oldest and truest alliance in the history of the world" and so on.
- vii - In the same way, utmost importance attaches to the cultivation of good relationships with the Portuguese in the islands NOW. Both British and Americans should
 - a) entertain and increase their contact and friendship with the Portuguese;
 - b) spend money as unobtrusively as possible;
 - c) support local charities;
 - d) buy local produce;
 - e) undertake constructional work etc. to employ local workmen;
 - f) send warships and merchant ships into Horta and Ponta Delgada to show the flag;
 - g) send illustrated papers, photographs, and all propaganda material into the islands, especially emphasizing American aid to Britain;
 - h) increase Radio broadcasts in Portuguese;
 - i) send messages for the local newspapers;
 - j) etc. etc.!!!

7. SURPRISE

It is felt that speed of action and surprise will entirely overcome the Portuguese; we feel that we have failed completely to make them realize that it is a very difficult thing for a junior officer on watch to order the batteries to open fire on a warship he cannot identify in the half-light at dawn, and that he will certainly send for his senior, who will not be close by, and when communications will be slow, or cut. This inability to understand the acuteness of the problem prevents the Portuguese from guarding against it.

(Note: I have laboured this point: perhaps anyone else who had been in Norway when the Germans made their landings would also emphasize this point.)

8. RELATIVE IMPORTANCE OF THE ISLANDS IN THE GROUP

<u>Item</u>	<u>San Miguel</u>	<u>Terceira</u>	<u>Faial</u>	<u>Pico</u>
Harbour	Small but quite good	Nil	Very small but quite good	Nil
Landing Ground	Under construction	1 ground can now be used, 3 more can be made	2 are to be made	Nil
Seaplane Area	Harbour is quite good for small plane	Praia Victoria exposed to N.E.	Harbour good, & some shelter	Nil
Communications	No importance	Almost nil	Vital importance	Nil
Coal Supplies	Available	Nil	Nil	Nil
Oil Storage	24,000 tons	Nil	Nil	Nil
Food Supplies	Self-supporting	Insufficient	Very insufficient	Surplus
Coast Defence	3 - 6"	Nil	4 - 6"	Nil
Army Defences	Yes	Yes	Yes	No

From the above -

- i - It is essential to hold Terceira, as an air base;
- ii - It is essential to hold Horta and San Miguel as naval bases;
- iii - Of all, San Miguel is the best compromise and the most important for a single attack: from it the remainder of the group could be controlled and occupied; but a simultaneous occupation of Terceira is most desirable, and Horta if it can be done. Its communications are of the greatest importance.
- iv - Angra (Terceira) is the seat of government for the central group (Horta is Not) increasing its importance.

9. MISCELLANEOUS NOTES

- a) Excepting San Miguel, none of the islands are self-supporting.
- b) The reinforcements sent to the islands has made the supply question very difficult.
- c) All available accommodation is now occupied. Any force of occupation must have tents or huts; there is adequate open space available. In winter in the Azores, there is so much rain that good huts would be essential and tents would not be satisfactory.

It is suggested therefore that a supply of huts to cover all purposes (canteens, recreation, etc., as well as accommodation) should now be got ready in America for quick erection by the occupying force.

- d) Similarly, there is adequate space in the open where stores can be parked, but protection from the weather would be needed.

- e) In Horta, there is a very convenient little hill adjacent to the harbour, in which tunnels and dug-outs could be cut; the soil seems to be mostly volcanic ash and cinders.
- f) In most islands there is some shortage of fresh water.
- g) In most islands there has been some roadmaking and improvement since the last maps were issued. The new admiralty I.S.I.S. reports will include all the latest available information on this and other points.
- h) The population is so much dependant on fishing and on the sea, that it is a nearly safe rule to say that wherever there is a possible landing beach, you will find a village: and conversely, where there is no village, there is no landing place.
- i) The beaches are few and far between; the usual landing place is a small brick or stone slipway up which boats can be hauled. This is often in the middle of rocks and reefs and is always very small. In general, to land at one of these means taking the boat very close inshore among rocks and breakers, stopping her, turning her 90 degrees so that she is heading parallel to the shore, and then putting her onto the slipway which is only about 15 yards broad!
- j) There are a few good roads on many of the islands, but many others are ox-cart tracks unfit for cars, and many tracks or streets are steep and cobbled and therefore rubber-soled shoes are essential.

10. PORTUGUESE PLANS FOR DEFENCE and BRITISH RECOMMENDATIONS

- a) Only the essential islands to be defended in each group; the remainder to be undefended. The British concur. (See paragraph 11).
- b) The Portuguese had planned defensive positions round the coast and successive lines for defence inside the coastline, meaning to fight a retiring action and to withdraw into the hills. The British have persuaded the Portuguese to give up this plan, because the Portuguese army is not capable of such a difficult manoeuvre and once a determined enemy had gained a foothold, the Portuguese resistance would crumble up.
- c) The revised plan is to concentrate everything on defence of the beaches and to keep a strong mobile reserve to back up weak and threatened places. Bicycles are recommended for this force, so far as hills etc. permit of their use, as damage to roads is likely to hold up all motor traffic.
- d) The British have emphasized the importance of aerial and naval defence and reconnaissance.
- e) The Portuguese claim to be keeping close watch on German residents and on all foreigners. We have stressed the importance of this; to our sure knowledge the Portuguese surveillance is most inefficient.
- f) The Navy and Air Force are to carry out off-shore reconnaissance each evening, to prevent the surprise approach of an enemy force during the night.
- g) A coast-watching system functions in each Island in the Azores, with posts at every conspicuous headland, etc. The personnel and the communications of these posts are not efficient.

- h) A sort of "Home Guard" or militia is organized to protect against parachutists, and fifth column. This body is inefficient and not much use.
- i) The British pressed strongly for as large a part as possible of the two machine-gun battallions of the Portuguese army to be sent to the Azores, to increase the fire-power of the defences.
- j) The British recommended that field-guns and mountain-guns should be sent as there is almost complete lack of these at present, but it is doubtful if much will be sent.

11. INTENDED SCALES OF DEFENCE

The Portuguese Staff had planned to maintain the following forces; as a result of consultation with us, it is probable that these may be increased later.

% - signifies that this item is not yet complete.

<u>Item</u>	<u>San Miguel</u>	<u>Terceira</u>	<u>Fayal</u>
Infantry	Metropolitan 1	2	2
Batns.	Local 2	1	1
Add'l			
Mortar Platoon	1	1	1
Engineers			
Section	1	1	1
Field			
Artillery	NO MODERN GUNS		
Anti-			
Aircraft	4 - 75 mm.	4 - 3.7" (%)	4 - 75 mm.
Coast			
Defence	3 - 6"	Nil	4 - 6"
Land Aircraft	% - About 18 gladiators at Terceira first, and move these to San Miguel and Fayal when the air-fields are ready.		
Seaplanes	3 or more - %	Nil	3 or more %
Warships	1 or 2 Destroyers in Azores		
Net defences	2 anti-torpedo	Nil	Nil
S/M Mines	About 300 available in Portugal - %		
Searchlights	Nil	Nil	Nil
Motor Trans-			
port	Yes	Yes	Yes

12. NOTES ON DEFENCES

- a) The locally recruited troops are much inferior to the Metropolitan battallions and there is jealousy between them.
- b) The intended establishment for each battalion is to be:-

about 900 men
 12 Heavy Machine Guns) using identical
 27 Light " ") ammunition
 2 Mortars.

(The additional Mortar Company has four mortars)

- c) The main commands detach small sections of infantry to the lesser islands; in general, each island will have 50 to 100 soldiers.
- d) The Portuguese have a morbid dread of an attack on San Miguel developing from troops landed by seaplane on Lake Furnas, as the Chief German Agent in the island Herr (or Major) Bruno DOMCKE, built a large house overlooking the lake and thoroughly alarmed the Portuguese.

At first the Portuguese planned lines of defence running up the hill slopes between this lake and Ponta Delgada; but after discussion with the British the following action was taken:

- i - Bruno was evicted, and sent to live in Ponta Delgada.
- ii - The lake is to be obstructed by floating trees secured by chains.
- iii - A small detachment of troops and a machine gun post was organized to command the lake.
- e) Trenches and machine gun posts are being dug and constructed to command beaches, landings, and roads in all islands. These are usually well-sited, but are not numerous.
- f) Barbed wire is available in the islands, but very little has been laid.

13. ORGANIZATION OF COMMAND IN AZORES

- a) The scheme in the Azores used to be very cumbersome, as the archipelago was divided into two or three sections for Civil, and for Military and for Naval administration, and in each case a different grouping of the islands was chosen.

Thus one island might perhaps be in the Western group for Civil Administration, under control of Fayal; and in the central Military Section under control of Angra; and in the Eastern Naval section under the control of Ponta Delgada.

- b) It has now been decided that:

- i - There shall be one Governor and staff for the whole group of islands.
- ii - There will be one Naval Officer in charge of the whole group.
- iii - San Miguel, Fayal and Terceira will each have their independent military commander and headquarters under the general control of the Governor (i) with the Captain of each port in charge of local Naval precautions in each respective island, under the control of (ii).

14. PORTUGUESE REQUEST FOR ADDITIONAL EQUIPMENT

- a) During recent years Portugal has often asked Britain for materials which we have been unable to provide.
- b) In May 1941 the request was again put forward and we have agreed to help as much as possible, provided that the equipment is kept in the islands. The chief specific requests were for:

- i - 15 gladiator fighters.
- ii - 36 Bofors 40 m.m. or 37 m.m. AA guns.
- iii - 4 or more batteries each of 4-3.7" AA guns.

In addition, they have only one anti-tank gun in the whole army,

and very few field guns.

Field guns are on order from Italy and may perhaps be delivered, with British permission; Bofors guns are on order in Sweden, but Germany is preventing delivery.

15. FOREIGNERS IN THE ISLANDS, AND NOTES ON PORTUGUESE AUTHORITIES

a) San Miguel -

- i - Small British colony and Consulate and Consular Shipping Adviser staffs.
- ii - Rather larger and more active German colony, mostly employed in harbour construction. Reported to have an excessive stock of blasting explosive.
- iii - The leading German agent, Bruno Domcke, has been active for years and has worried the Portuguese; he is under police watch, but the watch is inefficient and some of his agents (whom we know definitely) are not on the police list of suspects.
- iv - The American Consul is under slight and mild suspicion by the police.
- v - The Captain of the Port has been exceptionally friendly and helpful. The authorities in general have been helpful.

b) Terceira -

- i - No British Colony; I think there is one British resident: no Consulate.
- ii - Only one German, I believe; the police have him on their suspect list, but consider him to be "imbecile" more than suspect.
- iii - There is practically no foreign influence in the island.

c) Fayal -

- i - There is a fair sized British Colony employed in the Cable Companies; but the men are almost all old and inactive. There is a good Vice-Consul with one or two assistants. (See Report on Horta.)
- ii - There is an active but unemployed gang of German employees of the German Cable Company, who are fully discussed in the Report on Horta. There is also the crew of the German S. S. "Louise Bornhofen" taking refuge in Horta.
- iii - There is a large American influence through the employees of Pan American Airways, and of Western Union Cables.
- iv - The Portuguese authorities are formal and "correct" but are quite friendly. They are not friendly to the point of un-neutral behaviour as some of the Ponta Delgada authorities are.

16. BRITISH ACTIVITIES

- a) One or two additional officials are being sent to the Consulates throughout the islands, where this can be arranged, but the number is extremely restricted.
- b) British officials have been instructed to do their utmost to get into closer relationship with the Portuguese, on the lines suggested in paragraph 6 (vii), etc.

- c) They have also been instructed to take precautions against sabotage.
- d) British warships are to visit Horta and Ponta Delgada more frequently in future "to take in fuel" etc; this is being arranged to "show the flag", bring a little money to the islands, increase the flow of propaganda material, speed up official mails, and improve close friendship with the islands.
- e) It is also hoped to increase the numbers of merchant ships which visit the islands, for similar reasons.
- f) Another advantage of frequent visits by British and American ships is that this will hinder the Germans sending a "Trojan Horse" into the Azores to effect easy occupation with a very small force; the likelihood of encountering British or American ships will necessitate the use of a larger force, and increase the German difficulties.
- g) We have compromised with, and come to an agreement with, the Portuguese so that mails between the islands and foreign countries will now be carried again after a stoppage lasting several months.

II.

REPORT ON HORTA

1. HORTA TOWN

a) Electricity Supply

Provided by a power house in the harbour at the base of the mole. The machinery is steam-driven, and owing to shortage of coal it is using wood as fuel at present.

Reserve of power is not large, and the standby machinery cannot carry the full town load.

Further details of the power plant will be forwarded by other sources.

Electric supply is D.C. at 200 volts for lighting and 400 volts for power. A proposal to change over to A.C. has been discussed.

b) Gas, etc.

There is no gas works; "Calor", "Propagas", etc. are not available.

Small supplies of oxygen and acetylene are usually available. There is no stock of CO₂ or other gases.

c) Hospitals

Small and poor. There is X-Ray equipment but only the local German doctor can work it.

d) Supplies

There are no appreciable stocks of stores in general, of ships' stores, or of provisions. The Military reinforcements sent to Horta have caused a serious shortage in supplies. The island is not self-supporting, but can obtain a quantity of supplies from the adjacent island of Pico.

e) Accommodation

Owing to the arrival of military reinforcements there is no surplus accommodation available.

The German Cable Company's quarters would make a good site for general Headquarters, but troops would have to have tents or huts; the winter is so wet that both troops and stores would need adequate cover.

There are two football fields, and plenty of space for making camps.

There is considerable empty space around the harbour for storage of equipment or seaplanes in the open, but in winter heavy seas break over the mole so that this cannot be used for storage gear.

It is suggested that a supply of wooden huts might be bought in America, and be kept earmarked for Horta, to be shipped as soon as required.

f) Water Supply

This is unsatisfactory, as the reservoirs are inadequate and the pipes and mains are in bad condition. The water is good for drinking.

In summer there is a shortage and water used to be cut off for 23 hours daily.

The situation will be aggravated this year by the extra soldiers in Horta.

Old plans for increasing the water supplies have been looked up, but no action has yet been taken.

g) Fire Engine

There is one small fire engine.

h) Telephones

- i. There is no general telephone, though its installation has often been discussed.
- ii. There is a military exchange, chiefly of temporary wiring.
- iii. The coast-watching station of Capellinha (Western point of Fayal) is connected to this telephone.
- iv. Wiring-up of the remaining coast-watching points is in hand, or approved.

i) Industries

There is a very small whaling station in Porto Pim bay, which operated during the summer. A new building is being made close to it, and will be connected to the main road.

2. COMMUNICATIONS

a) Cables

- i. In May there was some uncertainty about the cable communication between Horta, Ponta Delgada, and Lisbon. When in Horta source was told that the cable from Horta to Lisbon was looped into Ponta Delgada and that a circuit was superimposed on the cable for communication between the islands.
- ii. Thus Horta can cable to Ponta Delgada, or to Lisbon, while Ponta Delgada can cable to Horta but can only reach Lisbon by cabling to Horta for retransmission to Lisbon.
- iii. Furthermore, the cable is faulty between Ponta Delgada and Lisbon so that all cable communication has to be passed through England. There are direct cables between Horta and England, or communication can go through Gibraltar or through Halifax.

b) W/T

- i. The "international" stations were described in former report.
- ii. Pan-American Airways have separate receiving and transmitting stations.

c) Cyphers

- i. The Consul at Horta only possesses the Special Iberian reporting cypher; this means that he cannot communicate with Bermuda or U. S. A. as is sometimes desirable, and that often

he receives messages in cyphers which he does not hold.

It is submitted that he should be supplied with ordinary I.D. cyphers, forthwith.

- ii. Further, messages intended for him are sometimes sent to Ponta Delgada; the Consul wishes to emphasize that this causes delay, especially as the Ponta Delgada cable office is from 2000 to 0900 daily.

3. SECURITY

- a) The British Consulate and the British Cable Companies instrument rooms are all adjacent to each other on the 1st (top) floor of the Cable Company building (the manager of the Cable and Wireless Limited being also the Honorary Vice Consul).

The German Cable Company has its instrument room in the same compound, and it can be entered either direct from the compound, or through the hall and lower floor of the British Consulate.

Although the German cable was cut on September 3rd, 1939, eight German employees remain in Horta and have full access to their instrument room. They even keep constant day and night watch in their instrument room, on the pretext of "watching for a cable ship coming to repair their cable" (sic).

The only guards are one Portuguese policeman at the front gate of the compound (who can always be sent down to the shops to buy cigarettes, etc.) and one or two watchmen in the British building who are armed only with whistles. The British employees have no arms of any sort, but I have asked Lisbon to provide eight pistols. It is essential that the British employees should be armed so that they can protect the important British communication of the Consulate, and can also gain control of the German room should it ever become necessary.

The Consul and his assistant have been asked to prepare more careful plans for these two eventualities.

The Germans are our tenants in the Horta Cable Station. It is suggested that some control of them might be possible, and that the Portuguese Government should be asked to arrange adequate military guard for the British interests and to assume full responsibility.

- b) In the event of any operation in the Azores, or of any development such as the invasion of Portugal and the flight of the Government to the Colonies, it would be most desirable that this potentially strong German gang should be rounded up and locked up immediately and without warning.

This is not easy to arrange, as several of the Germans have got Portuguese wives and families and know all that is going on. Orders to arrest them could only remain secret if sent by air at the last moment, or if sent in the form of a sealed envelope to be opened on receipt of a prearranged signal. The Consul feels that the Captain of the Post is the only official whose integrity and discretion would probably stand the strain of advance knowledge of any such plan, and unfortunately the work would not come under his jurisdiction. He is responsible for having sealed a German W/T transmitter in September, 1939.

4. OTHER ENEMY ACTIVITIES

- a) The enemy colony is small, and is not very active; a certain amount of propaganda work is undertaken, and information is ardently collected. The Portuguese wives, and families, provide an excellent source for the collection of all available information, as the Portuguese gossip most freely and can keep no secret. But for this reason they are also a menace to any intelligence service, and after watching the Germans at work the British Consul feels it better not to make similar use of Anglo-Portuguese families, as their indiscretions would probably outweigh their value.
- b) The German employees are busily engaged in giving away or disposing of their furniture and possessions, which suggests that they expect the war to involve the Azores (1914-18, when the Germans were interned on Terceira, the Portuguese committee appointed to look after the Germans' belongings are said to have appropriated everything for themselves, and the Germans appear to be preparing against a repetition of this!)
- c) The Consul states that the wife of the British Second in Command of the Commercial Cable Company has a very long-standing infatuation or feeling for the Nazi schoolmaster in Horta, which her husband does not try to check. Her two children go to this Nazi's school, and the Consul says that this creates a bad impression among the Portuguese.

5. PERSONALITIES

- a) F. H. Tretthowey, British Consul (also Manager of the Cable and Wireless Company's station). Very keen and most helpful; willing to help in every possible way; achieves good results, but has no really helpful friends among the Portuguese officials; does not speak Portuguese fluently. Perhaps he has not got very great initiative or ability to make contacts among the Portuguese, but he does excellent work and his keenness is most excellent.

He is nearly at the age of retirement for employees of Cable and Wireless Ltd., and does not know if he will be recalled in the near future. I submit that it would be a great pity if he was changed.

He has an assistant, Mr. Holder, who does very valuable work and is a great asset to the staff. He is employed by Cable and Wireless, but also assists in the Consulate.

- b) Captain of the Port. This officer is quite friendly, but is extremely formal and rigid and "correct" in his interpretation of neutrality. He was gratified when the Consul took source to pay an official call upon him, and apparently unbent more than he usually does.

He gave the impression that he would be glad to co-operate with us more than he does, but is restrained by his real belief in his duties as a neutral. Source encouraged this attitude, but has written to the Naval Attache in Lisbon asking him to try to get the Portuguese Admiralty to instruct Horta to cooperate fully with us.

He said, during this talk, that "if you come here, it is important that you come as friends, to the islands", and seemed quite reconciled that this might happen later.

- c) Bensaude & Coy. This firm has by far the largest interests in the Azores. On the whole they are pro-British, but they hedge and wish to keep a foot in the German camp too. They are involved in a number of affairs which come under suspicion, but source knows of no real case against them. A desire to make profits accounts for all the suspicions, and not active pro-German activity.

Their New York manager is entirely in our control, and their Lisbon Manager (Mr. Canby) is an Englishman who is a real help to us.

In Horta their manager is also an Englishman, but he was badly wounded in the last war and is reported as being rather "queer"; he had wished to become the British Consul a few years ago, and the fact that he failed to achieve this has made him bitter. He is not very co-operative and gives us little help; he acted as agent for the German ships taking refuge in Horta, of which the "Louise Bornhofen" still remains.

6. FEELINGS OF POPULATION

The Consul states that there is a general feeling in favour of England and that there is not the strong feeling against America which source has heard spoken of in Lisbon.

There is jealousy and friction between some of the officials, and between the local troops and there is no feeling of unity among the administration.

7. MORALE OF POPULATION

- a) The people are easily alarmed. The recent explosion at Fort Conceicao made a panic in the town, people saying that it was a bomb and even that they had seen the aeroplane drop it! This tendency to panic must be reckoned with.
- b) They are most susceptible to rumours.

8. VIGILANCE

- a) Coast-watching stations, 6" batteries, and some or possibly all of the machine-gun posts are manned day and night, but communications with Headquarters are said to be bad.
- b) Police and fiscal guards are on duty day and night in the harbour area, but are not very alert.

9. LAND DEFENCES

- a) The machine gun posts are few in number, but are well-situated so that they command a good field of fire and are not easily noticed.
- b) They are of concrete, and of strong construction.
- c) There are trenches in a few places, and barbed wire is available but the Consul states that very little of it has been laid yet.
- d) The defences are kept ready for use, with soldiers at the posts, and with machine guns either in position or in the vicinity.
- e) The new camp is not yet complete or camouflaged, and is very conspicuous.
- f) At present there is reported to be only one magazine, and this is in a very exposed position.
- g) There are a number of army transport mules, which are valuable

as many of the tracks are unfit for cars. The roads are fit for bicycles, though hilly in places.

10. MONTE GUIA 6" BATTERY

a) The upper (final) gun positions were not completed on 15-6-41, but were well advanced. Work on them was in full progress on Sunday afternoon!

b) The new road is excellent and fit for heavy lorries etc.; the cuttings at the top are very conspicuous, particularly at the Eastern end, close to the guns.

The waste earth and rock removed from the cuttings and magazines etc., is piled conspicuously on the N. E. side of the skyline.

c) The white chapel, now standing close to the gun sites, will probably be moved to the Western end of the ridge.

d) Source could not see the observation post, nor any sign of range-finder, etc.

e) The guns on June 15th were in their lower positions, but were dismounted and were on trucks being hauled back along temporary rails to the road, ready for transport to the top of Guia.

11. ESPALAMACA 6" BATTERY

a) The guns are mounted in their final position, and are inconspicuous though fully exposed on the skyline.

b) They are camouflaged with brown nets or material but this is too brown when seen from the air.

c) The roadway leading towards the guns, and the entrance to the underground guardhouse etc., are very conspicuous: the entrance needs nets to hide it. Dummy gun positions could be arranged close to the road, which could be very deceptive.

d) The observation post is a concrete casemate in the cliff face, on a small artificial ledge cut about 30 feet below the cliff top.

e) No rangefinder could be seen, but a destroyer has carried out exercises with the battery, though target-practice was not carried out.

f) The "Ammunition Hoist" which has been described as "showing the battery-position from seaward", does not exist. This report referred to a sheer-legs erected temporarily while the guns were being mounted.

g) The report that the guns were mounted "underground" is more mysterious, as on investigation it seems to have come from quite good sources (a foreman employed on the job; and from a Portuguese doctor who was taken around the work; and from a friend of the Consul's). The doctor even says that he saw the guns in the casemate on the cliff, lying on the floor waiting to be mounted; the Consul reports that at this time the guns did disappear for two or three days while they were being mounted, and he thought this fitted in with the reports. There is also talk of two 9" guns being mounted later, and possibly the 6" guns would then be mounted in the casemate (Note: - in May, the Portuguese Staff mentioned that it was hoped to install bigger guns than 6", in due course).

12. NAVAL DEFENCES

- a) The guardship spends much time at sea, often returning to harbour only for the night. When lying in the harbour over the weekend she dies out steam.
- b) A minelaying officer carried out work recently, taking soundings and investigating the possibility of mining the approaches.
- c) Some S/M indicator nets are available, whose mesh has been decreased so that they can act as torpedo nets. These have twice been laid for practice, but it is believed that their ultimate positions have not yet been decided.
- d) The guardship has carried out practices as a target for the Espahamaca Battery, but the guns were not fired.

13. HARBOUR

- a) The Titan crane has been demolished as "scrap", and its rails have been removed.
- b) There are three existing cranes: (1) a fixed crane, built as a steam crane to lift five tons, but all the steam parts removed and hand gear for two or three tons has been arranged. Lift and radius, about twelve feet. (2) a two-ton hand-worked crane. (3) a five-ton steam-worked crane. The two last mentioned have both about fifteen feet lift and radius, and have a common length of rails about 50 yards long.
- c) The seaplane slipway is in good order, but there are no cranes, hangars, or other facilities.
- d) The S.W. corner of the harbour has silted up and filled in the whole space, providing an excellent open sandy beach for hauling up boats, or for dumping stores.
- e) In winter the heavy seas break right over the mole.
- f) The German S.S. "Louise Bornhofen" is moored by several anchor cables at bow and stern, parallel to the mole and about ten yards clear of it. If sunk in this position she would be a most serious obstruction in the harbour.

It is submitted that the Portuguese Government should be asked to have the vessel moved, or to have the crew interned and caretaker put on board. The agents, Bensaude, could arrange for care and maintenance work to be carried out.

14. AIR DEFENCES

Surveys have been carried out with the help of Pan-American Airways, and it is planned to prepare two landing grounds, one to the N.W. of the town, and one on the South coast west of Porto Pim.

In addition to the seaplanes and gladiators which are being sent to the Azores from Portugal, four machines are being sent to the Azores from New York in S. S. "Pero de Alenquer" on June 20th.

15. PAN AMERICAN AIRWAYS

- a) In general, P. A. A. are very cautious and will give no information

to the British Consul in Horta. They seem nervous of losing their charter.

It is hoped to improve this state of affairs by approaches made in the U. S. A.

- b) There is a belief that P. A. A. have been taking aerial photographs of the Azores; this certainly could be done, and source will try and get prints.
- c) P. A. A. are helping the Portugues Government with surveys and preparations of plans for landing grounds in Fayal or in Terceira. They appear to have men working under cover for the U. S. A. Government, and this will be checked in Washington.
- d) P. A. A. are carrying out experiments and are making statistical records of "swell" conditions in Terceira, with a view to developing a seaplane base there or an emergency landing.

III.

REPORT ON W/T COMMUNICATIONS IN THE AZORES

Naval meteorological stations are CTH and CTN. Former is naval station for supplying weather reports, bearings, etc. to ships at sea and uses various frequencies and power. CTN is naval operated for Panair and used only for communication with clippers and Panair bases. Following is a line up of the commercial radio stations in the Azores.

<u>Islands</u>	<u>KCS Frequencies</u>	<u>Call Signs</u>	<u>Power</u>	<u>Service</u>
Corvo	2235 KCS	CSR	Continuous wave. Interrupted continuous wave and radio telephone	Public service between fixed points
Faial	1995	CSO	"	"
Flores	2185	CSQ	"	"
Graciosa	2085	CSW	"	"
S. Miguel	1770	CSM	"	"
Pico	2085	CSP	"	"
S. Jorge	2805	CSV	"	"
S. Maria	1905	CSN	"	"
Terceira	1905	CST	"	"
Horta	9724.8	CTH2)	.25 KW C.W. Radio	For exclusive official business between fixed points
Horta	13129.1	CTH3)	Marine	
S. Miguel	105.1	CWA	2 KW C.W. Portuguese Radio Marconi	Public service between Portugal and Madeira
"	107.5	CWA	"	"
"	137	CWA	Continuous wave	Public service also service for naval vessels
"	6925	CWM	.5 KW C.W. Interrupted C.W. and radio phone	Public service between fixed points Portugal and Madeira
"	9055	CWA2	"	"
"	11915	CWG2	"	"
"	11925	CWG2	"	"
"	11930	CWI2	"	"

Pre-war transmitter operated by German cable company station electrician is still under seal as far as is known. Source also informed no German "tourists" on Fayal and probably same conditions on other islands as severe restrictions placed on all foreigners coming to Azores which is now considered a garrisoned military area. Source's informant lives on Fayal and cannot speak with absolute authority re conditions on other islands.

IV.

REPORT ON AZORES AIR PATROL

1. A small company known as the Sociedade de Estudos Aereos has been set up in Portugal to obtain the concession for flying over the Azores. This Company was formed by J. B. BENSAUDE and financed to the extent of about \$1,000. provided by J. B. Bensaude, Bensaude & Co. and three other men in the Azores. This Company petitioned and successfully obtained the rights to fly over the Azores and to operate an air service between the islands.
2. The Portuguese Government Post Office agreed to pay a mail subsidy.
3. The lawyer for the Company, Dr. ARRUDA, came to the U.S. and approached Messrs. HILL and THURBER, two men in U.S. G2. The facts were presented by these men to Washington where it was agreed that the service which formed the basis of the patrol should be put into operation forthwith.
4. An approach was then made through Joe MARTIN to Jesse JONES of the Reconstruction Finance Company.
5. The method of providing the complete finances for the service - which is to start with three Grumann amphibian machines, is as follows:

The Flomarcy Company, New York (owned by Bensaude) is to petition the Reconstruction Finance Corporation for whatever funds are necessary - say \$500,000 - to buy all the equipment and set the service in operation. The Flomarcy Company's petition is to be based on information that their client, Sociedade de Estudos Aereos requires money to set up this service, which has uses to the U.S. The Reconstruction Finance Corporation is then to agree to provide money forthwith.

The Sociedade agrees to the loan at a fixed rate of repayment over a period of years. Let us assume that the yearly amount is \$X.

The U.S.N.I. has arranged with Pan American to provide an amount equal to \$X. a year. This subsidy is payable by Pan American to the Sociedade in consideration of the Azores Company acting as a feeder to Pan American. The fact is that the U.S.N.I. is financing the scheme and using the paraphernalia of the Reconstruction Finance Company to provide the loan and the Pan American Company to repay the loan.

V.

REPORT ON AZORES AIR INTELLIGENCE

1. AIR FORCE

Three Grumman G.21b. reconnaissance flying-boats are now stationed at Ponta Delgada (St. Michael). It is also proposed to transfer a squadron of fighters from the Portuguese mainland to Achada (Terceira). This squadron will consist of 18 Gladiators, three of which are stated to have been despatched to Terceira on May 17th.

2. AERODROMES

Achada, the only landing ground at present existing in the Azores, was reported in course of improvement by A.A., Lisbon, early in May, and though there is still some doubt as to whether the improvements in question have been completed, it is known that the Portuguese Government intend to base aircraft there in the immediate future. The exact nature of the improvements envisaged has not been reported, but it is thought unlikely that these will limit our operation of modern high performance aircraft.

3. SUPPLIES

Very small government stocks of aviation petrol (probably not exceeding 50 tons) are held, in addition to a Pan American Airways stock of 100+ octane fuel, which amounts to about 200 tons.

A shipment of bombs (weight 100 kg., quantity not known) was reported on May 9th to Ponta Delgada, and it is to be assumed that some attempt to improvise repair facilities and to build up the necessary stocks of spares for the operation of the aircraft to be stationed in Terceira has already been made.

4. PERSONNEL

It is not known what Air Force personnel have so far been transferred to the Azores. Standards of training, maintenance and morale are low, and while the decision to establish an Air Force at Achada is an earnest of the Portuguese Government's intention to defend the islands, there is no reason to believe that the air opposition offered to any attack would be of a serious nature.

AZORES (PORTUGUESE)

NAME	TYPE	CO-ORDINATES	MAP REFERENCE	SIZE (in yards)
ACHILIA (TERCEIRA Is.)	L.G.	38°40'49"N. 27°11'29"W.	1:50,000	650 x 200, but central area of 350 useable only.
HORTA (FAYAL Is.)	Seapl.A.A.	38°31'38"N.) Harb- 28°37'28"W.) our	1:50,000	HORTA BAY is about 1½ miles x 1100 yds.
LAKE FURNAS (ST. MICHAEL Is.)	Possible Seapl.A.A.	37°45'21"N. 25°20'00"W.	1:50,000	1 mile 400 yds. NE/SW 1400 yds E to W. approx.
LAKE SETE CIDADES (or GRANDE) (ST. MICHAEL Is.)	Possible Seapl.A.A.	37°52'00"N. 25°47'00"W.	1:50,000	1 mile 700 yds. N-S, 1 mile 300 yds E-W, 1 mile 700 yds NE/SW, approx. 400 N/S Harb- 880 E/W) our
PONTA DELGADA (ST. MICHAEL Is.)	Seapl.A.A.	37°44'00"N.) Harb- 25°40'00"W.) our	1:50,000	
PRAIA BAY (TERCEIRA Is.)	Seapl.A.A.	38°43'12"N. 27°03'30"W.	1:50,000	About 1 mile N to S; E to W unlimited.
PRAIA BAY BEACH (TERCEIRA Is.)	E.L.G.	38°42'27"N. 27°03'43"E. (approx.)	1:50,000	Length about 1000

Note 1. Abbreviations used above: L.G. - landing ground; E.L.G. - emergency landing ground; Seapl.A.A. - Seaplane alighting area. Co-ordinates are given as nearly as possible in the centre of the landing or alighting area unless otherwise stated. Map references: FAYAL Is., G.S.G.S.No.4141, from Admiralty Chart; ST. MICHAEL Is., G.S.G.S.No. 4124, from PORTUGUESE Map of 1897; TERCEIRA Is., G.S.G.S. No.4123, from PORTUGUESE Map of 1899.

Note 2. The islands are generally unsuitable for the construction of aerodromes owing to their rocky and mountainous character. The one landing ground constructed at HORTA on TERCEIRA Island, could be extended by about 200 yds., but is in fact neglected. PAN AMERICA use HORTA BAY for their seaplane service to Europe, but heavy swells are frequent and the service has been continually interrupted for as much as a week at a time. Low cloud and heavy mist are prevalent giving a ceiling of 500 feet, or less; this happens frequently enough to prejudice flying. Unsettled weather with strong winds prevails throughout the year; best period from June to October. Abnormal magnetic variation reported at PONTA DELGADA, AZORES and HORTA; local variations of magnetic declination have been found to

possession)

LOCAL POSITION	REMARKS
About 2-3/4 miles N.E. from coast at ANGRA DE HEROISMO, in S. part of island; on E. side of and parallel to the road from ANGRA to PRAIA DA VICTORIA.	Surface is grassy; gradient is level; but there are small hollows and humps outside a central area of about 350 yds. square. Surrounding land is rocky, pitted and hilly. Motor mechanics specification fuel and oil reported available. Obstructions: stone house near N.E. corner, also cattle. Frequently enshrouded in mist or cloud.
In S.E. part of island; anchorage inside the breakwater of HORTA harbour, or in PIM BAY, SW of HORTA BAY and separated from it by GUIA PENINSULA.	Heavy seaplanes advised to alight and take off in PAYAL CHANNEL outside HORTA harbour. Slipway projects from breakwater on E. side of harbour; ships' mooring buoys; sandy beaches at HORTA and head of PIM BAY suitable for hauling out. Reported refuelling by lighter, marine repair facilities. Depth of water is 6 - 42 ft., tidal range is 2 - 9 ft. Low cloud and heavy mist are prevalent W/T.
In E. half of island, about 18 miles from E. coast and 2 1/2 miles from S. coast. The village of FURNAS is about 1 mile to N.E.	Approach is bad as lake is surrounded by hills. Has been used for alighting on at least 5 occasions. No facilities of any description.
In N.W. part of island; village of SELE CIDADES on SW side of lake; the smaller LAKE AZUL is separated from it by a dam or natural barrier and lies to the S.	Lies in deep crater of volcanic origin, the surrounding hills being about 2000 ft. high. Since 1935 has been used experimentally by Imperial Airways, German & French seaplanes, and Col. Lindberg. No facilities exist. Harbour too small for take-off required by most seaplanes, hence take-off must be in open sea. Moorings buoys for ships available; fuel and oil in limited quantities reported; marine repair facilities. Ramp at the S. FRANCISCO dock at W end of harbour. Depth 8 to 20 ft., currents weak. Exposed to strong winds from E & SE. There are plans for a naval air base here (PORTUGUESE) W/T.
In DELGADA harbour, on SW coast of island, E of DELGADA POINT.	
On E. side of island, in N part of PRAIA BAY, adjacent to town of PRAIA DA VICTORIA.	Depth is 18 ft. about 300 yds. off-shore shoaling gradually. Tidal range is 3-5 ft. Sandy bottom. Easterly winds are dangerous, but affords good shelter from all other winds. Beach can be used for hauling out except SW corner. Supplies reported very limited. Automobile mechanics for small repairs. Telegraph. W/T at FALPITAS (not located on map available)
Beach on S. part of PRAIA BAY CLOSE to the bay near SANTA CATHERINA POINT, on E. side of island.	The beach is sandy. The possible landing area lies in NW/SE direction. No facilities except at PRAIA DA VICTORIA, about 1 N by E, communication by road about 400 yds. W. from the coast and proceeding N.

VI.

STATEMENT BY MR. J. B. BENSUALE

AZORES

8th November, 1941.

On October 9, 1939, Dr. Antonio d'Oliveira Salazar made a speech at the National Assembly in Lisbon in which he said, "Germany has made itself known to be in the disposition to respect the integrity of Portugal in the present war and its overseas possessions in case of our neutrality. Great Britain has asked nothing, in the name of the alliance and friendship of centuries which would oblige us to enter the conflict. In any case we would not remain well with our conscience if we would not reaffirm in this grave moment our feelings of friendship and all our fidelity to the British alliance."

This statement is illustrative of the general feeling of Portugal in this most difficult moment. However, the strategic position of Germany since the defeat of France, has brought Germany so close to Portugal that the whole structure of Portugal's foreign politics has been effected. For instance, the leasing of Timor to the Japanese as an airbase in the Pacific is a proof of direct coercion by Germany on Portugal's foreign policy in the Far East. Owing to the fact that the strategic position of the Azores is of such importance both to England and America, as well as Germany, Salazar, in endeavoring to further its neutrality, has indefinitely suspended the issuance of all visas for foreigners to these islands.

Portuguese troops are pouring into the Azores and there is also an influx of defense materials for Portugal which would be used eventually against an aggressor from any direction. Under such circumstances, and during this difficult time, is it a prudent and rational policy on the part of the English to contract and decrease the issuance of Navicerts for essential products for the Islands, while simultaneously desiring to maintain the fidelity of the Portuguese to the alliance. It is evident that such a desire can best be realized if the soldier coming from the continent to the Azores, undoubtedly influenced by German propaganda, under the impression that his enemy #1 is the United States and its allies, should find himself in a surrounding of prosperity, where food and facilities are plentiful. There is no necessity for a revision in the English and American policies towards the Azores owing to and since the defeat of France because the position of these Islands places them doubtlessly and completely at the mercy of the good will of the British and American fleets.

In other words, the policy of both England and America in reference to the Azores should begin by developing a protective and helpful attitude. Towards this end, a plan can be launched whereby the combined efforts of America and England can serve to create in the Azores a supply center for genuine Portuguese interests under the auspices of the British Navicert Control at Ponta Delgada. Such a system of feeding Portugal and its interests, functioning under the watchful eye and to the satisfaction of both England and America cannot help but prove most advantageous to all concerned. Therefore, instead of using Portuguese statistics which group Portugal and adjacent islands as one, the new British and American policy should be to distinguish one from the other and deal with each individually.

Little damage can German propaganda, coming from the East, hope to cause under such ideal conditions which will undoubtedly serve to bring about a more favorable balance in the development of events.

J. B. BENSUALE